

# NSK Ltd.

For Immediate Release

October 27, 1999

## NON-CONSOLIDATED RESULTS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 1999 (unaudited)

### Financial highlights

(Millions of yen)	Six months ended September 30		
	1999	1998	Change %
Net sales	¥165,377	¥162,564	1.7
Operating income	424	2,891	- 85.3
Ordinary income	-1,229	2,898	—
Net income (Yen)	-788	2,398	—
Net income per share	¥-1.40	¥ 4.25	

### Financial position

(Millions of yen)	September 30	
	1999	1998
Total assets	¥540,881	¥ 552,713
Shareholders' equity (%)	222,047	233,675
Shareholders' equity to total assets (Yen)	41.1%	42.3%
Shareholders' equity per share	¥395.26	¥ 414.36

### Net sales by product category

(Millions of yen)	Six months ended September 30		
	1999	1998	Change %
Machinery parts and others:			
Bearings	¥94,419	¥95,910	-1.6
Automotive components	52,686	47,966	9.8
Precision machine parts and others	13,310	15,378	-13.4
	160,415	159,254	0.7
Mechatronics products	4,962	3,310	49.9
Net sales	¥165,377	¥162,564	1.7

## Non-consolidated statements of income

(Millions of yen)	Six months ended September 30		Change %
	1999	1998	
Net sales	¥165,377	¥162,564	1.7
Cost of sales	144,156	137,940	
Selling, general and administrative expenses	20,797	21,732	
Operating income	424	2,891	-85.3
Other income:			
Interest and dividends	2,154	2,717	
Other	898	2,106	
	3,053	4,824	
Other expenses:			
Interest expense	2,767	3,274	
Other	1,939	1,542	
	4,706	4,817	
Ordinary income	-1,229	2,898	—
Income before income taxes	-1,717	2,898	
Income taxes:			
Current	223	500	
Deferred	-1,152		
Net income	¥-788	¥2,398	—

## Other financial data

(Millions of yen)	Six months ended September 30		Change %
	1999	1998	
Capital expenditures	¥6,068	¥ 8,403	- 27.8
Depreciation	6,628	7,033	-5.8

# Overview of the six months ended September 30, 1999

- During the interim period ended September 30, 1999, the Japanese economy showed signs of an underlying improvement. Private consumption, which had been weak in the previous term, began to recover in certain areas, supported by fiscal and monetary stimulus measures, including expanded public-sector expenditures, tax cuts, a government debt guarantee program and a zero-interest rate policy. Housing investment in the private sector rose substantially as a result of the expansion of tax benefits related to home purchases.
- Overseas, the U.S. economy continued robust growth, despite concerns of overheating and discussions on measures to achieve a soft landing. The European economy returned to a growth trend at the beginning of the interim period, though at a slow pace. Countries in Asia, centered on South Korea and the ASEAN region, made progress toward rapid economic recovery, supported by export growth as a result of credit provided by international lending institutions and rapid improvements in current account balances.
- As a result of conditions in Japan and overseas, NSK Ltd. recorded domestic sales for the interim period of ¥119,651 million, an increase of 1.9%, with export sales of ¥45,726 million, up 1.2%. Overall, sales increased 1.7% to ¥165,377 million.

## Net sales by product category

### Bearings

Bearing sales in the domestic market were approximately the same level as a year earlier, as stagnant market conditions continued. Exports, however, declined slightly, despite a sharp recovery in Asian demand, owing to inventory adjustments in Europe and the Americas.

### Automotive components

In automotive components, domestic sales increased approximately 4% from a year earlier, as growth in such new products as electric power assisted steering (EPAS) systems offset the effects of flat domestic automobile production. Exports climbed approximately 44% on the back of high growth in seat belts to South Korea and EPAS systems to Germany. Overall sales in the segment rose nearly 10%.

### Precision machine parts and others

In precision machinery and parts, domestic sales were flat as a recovery in demand for semiconductor manufacturing equipment was offset by weak sales for machine tools amid an overall slump in private-sector capital investment. Export sales fell approximately 27% as a result of declines to the Americas and Europe, despite growth to Asian markets.

### Mechatronics products

Products for electronic applications recorded overall sales expansion of around 50%, with high growth in Megatorque Motors for semiconductor manufacturing equipment both in Japan and overseas.

- To raise profitability, the Company curtailed capital investment and took measures to

slash administrative expenses, while restructuring operations to improve the profit structure. Other steps included the reduction of procurement costs, the implementation of a voluntary retirement program, the establishment of a subsidiary for seat belt operations and a reduction in interest-bearing debt. However, the impact of the yen's appreciation on export profitability and costs associated with new products resulted in an ordinary loss of ¥1,229 million. Further, extraordinary charges, including costs related to the voluntary retirement program and restructuring expenses for closing the Tamagawa Plant, offset extraordinary gains on the sale of idle real estate and cross shareholdings. Consequently, the Company recorded an interim net loss of ¥788 million.

## Forecast for the year ending March 31, 2000

	(Millions of yen)
Net sales	¥ 345,000
Ordinary income	2,000
Net income	1,500

- In the second half of the fiscal year, excess capital stock and employment in the domestic economy will continue to be significant problems, with adverse impact on consumption, housing and capital investment. However, consumer sentiment, which had been holding back private consumption, has improved, and management expects demand from the domestic automotive industry to benefit from new car sales. Overseas, rapid economic growth in the United States may give way to inflation, and the possibility of a fall in the stock market is an additional risk factor, giving rise to concerns of a sharp slowdown. European economies, however, show signs of an underlying improvement amid a moderate upturn in domestic and overseas demand, and an overall recovery in Asia has become increasingly clear.
- As a result of the above factors, for the full fiscal year ending March 31, 2000, management forecasts net sales of ¥345,000 million, with ordinary income of ¥2,000 million and net income of ¥1,500 million. These forecasts assume an exchange rate of 105 yen per U.S. dollar.

### Note

All forecasts are based on a number of assumptions and subject to significant risks and uncertainties. Actual financial results may differ materially and NSK Ltd. accepts no liability whatsoever for any direct or consequential loss arising from any use of this report.